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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002178

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SUBJECT: FOLLOWING DPP INDICTMENTS, A POLICY STRUGGLE PLAYS
OUT OVER REPLACING PARTY CHAIRMAN

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Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: On September 21, Vice President Annette Lu, DPP Chairman Yu Shyi-kun, and NSC Secretary General Mark Chen were indicted for corruption for embezzling special allowances made available to senior officials. DPP presidential and vice presidential candidates Frank Hsieh and Su Tseng-chang were cleared of similar charges. Yu Shyi-kun has announced he will step down as party chairman, but questions remain about timing. Yu stated on September 24 that he intends to stay on through the party congress scheduled for September 30. However, a Hsieh confidante predicted to AIT that Yu will leave office prior to the congress and will be succeeded by President Chen. Our contact criticized Yu for pursuing his own agenda, including a radical version of a "normal country resolution," in disregard of the interests of the party's legislative and presidential candidates. President Chen and the Hsieh camp hope that a reorganized party apparatus will set a new, effective campaign agenda, he added. End Summary.

¶2. (U) The Supreme Prosecutors Office called a press conference Friday evening, Sept. 21 (the beginning of the four-day Mid-Autumn holiday), to announce the indictment of Vice President Annette Lu, DPP Chairman Yu Shyi-kun, and NSC Secretary General Mark Chen for corruption and forgery in

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using fraudulent receipts to claim reimbursement from special allowance funds made available to senior officials. DPP presidential and vice presidential candidates Frank Hsieh and Su Tseng-chang were cleared of similar accusations because of lack of evidence of any wrongdoing. An irate Vice President Lu said she would not resign and accused the prosecutors of "trampling" on her, claiming she had not directed her staff to submit fraudulent receipts obtained from other people as the prosecutor charged.

¶3. (U) DPP Chairman Yu Shyi-kun, who was on a visit to Canada, immediately issued a statement asserting his innocence but saying he would resign his position as party

chairman in keeping with his previously announced commitment that he would step down if indicted. Upon his return to Taipei on September 24, Yu clarified that he would resign at an "appropriate time" but intended to stay on through the DPP party congress scheduled for September 30 to avoid a perception that he was "evading responsibility."

¶4. (C) Yu's planned resignation has re-ignited a simmering power struggle within the DPP, which has been deeply divided between independence fundamentalists and moderates since the presidential and legislative primaries last May. DPP advisor and TECRO Council Member Corey Chen (protect) told AIT party regulations mandate that Yu will definitely have to step down. However, there is a question over timing. While DPP Secretary General Lin Chia-long, the Deep Green and a few

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others are arguing Yu doesn't need to step down, at least for now, President Chen, who has put up with Yu for too long, will not let the situation drag on, Corey Chen maintained. He predicted that President Chen himself will decide the timing of Yu's departure with the issue being resolved at the latest by this coming Saturday (Sept. 29).

¶5. (C) The Hsieh camp absolutely will not accept Yu's continuing in office, Corey Chen added. While Yu and the party headquarters should have been helping DPP Legislative Yuan (LY) and presidential election campaigns, they have been pursuing their own agenda at the expense of the candidates' interests, he continued. Pointing out that Frank Hsieh will need support from the Taiwan Solidarity Union (TSU) to win the presidential election, Corey Chen also blamed Lin Chia-long for causing the breakdown in coordination with the smaller pan-Green party.

¶6. (C) Corey Chen said it is "almost certain" that President Chen will resume his previous position as party chairman (which is in accordance with the party's charter) unless Hsieh and President Chen can find another acceptable person, which would be difficult. Once Yu has been replaced, the party's campaign agenda can be reset. Also, if President

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Chen so decides, the party congress scheduled for Sunday could be postponed or even canceled. The party congress is primarily intended to be the kickoff event for LY and presidential candidates, not as a venue for deciding party policy as Yu has tried to make it with the "normal country resolution."

Comment

¶7. (C) Yu has proven to be highly divisive as DPP chairman, alienating President Chen, Hsieh, Su, and the entire moderate wing of his party. Following his poor third place polling in the DPP presidential primary this May, Yu continued and even accelerated his championing of a radical Deep Green agenda. Although Yu's supporters may fight for him to stay on, Yu's critics will cite his own previous commitment to step down, the party's regulations, and the fact that KMT candidate Ma Ying-jeou immediately resigned his position as KMT party chairman when he was indicted in a similar case. That Hsieh and Su were cleared in this case will boost their campaign, but there are further investigations targeting Hsieh and of course other candidates as well.

YOUNG